

[| NODIS Library](#) | [Financial Management\(9000s\)](#) | [Search](#) |

# NASA Procedural Requirements

**COMPLIANCE IS MANDATORY****NPR 9680.1A**  
Effective Date: November 10,  
2011  
Expiration Date: November  
10, 2016[Printable Format \(PDF\)](#)

Request Notification of Change (NASA Only)

**Subject: NASA's Management of Grants and Cooperative Agreements****Responsible Office: Office of the Chief Financial Officer**[| TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [AppendixA](#) | [AppendixB](#) | [ALL](#) |

## Chapter 3. Administrative Reviews and Actions

### 3.1 Overview

3.1.1 This chapter provides NASA's requirements for suspension or termination of recipients' letter of credit when recipients are unwilling or unable to comply with cash management, financial systems, or financial reporting requirements.

### 3.2 Agency Requirements

3.2.1 When a recipient organization has demonstrated an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements, the NSSC/Center Finance Office may temporarily suspend payment to the recipient organization pending corrective action by the recipient or pending a decision to terminate the financing agreement. The NSSC/Center Finance Office shall promptly notify the Grant Officer or Contracting Officer of any such action.

3.2.2 Recipients shall comply with the non-financial reporting requirements and other terms of the grant, cooperative agreement, or contract. When recipients fail to comply with the terms and conditions of the grant, cooperative agreement, or contract, the letter of credit payments may be suspended or terminated by the Grant Officer or Contracting Officer.

3.2.3 Criteria for Suspension/Termination.

a. Recipient organizations shall withdraw funds to meet current requirements. If a recipient withdraws funds in excess of current requirements, subsequent requests for funds may be suspended until the situation is remedied. If the recipient organization continues to withdraw funds in excess of current needs, the letter of credit arrangement may be terminated, and the recipient organization will be required to finance its operations with its own working capital.

b. The letter of credit shall be suspended when a recipient organization is unwilling or unable to establish a financial management system that meets the requirements of advance financing as evidenced by an audit report or failure to comply with the requirements of this NPR. The NSSC/Center Finance Office may require submission of the recipients' written procedures or take other appropriate measures to validate recipients' compliance with these system requirements. The NSSC/Center Finance Office may also take reasonable steps to assist the recipient organization in establishing or improving its financial management system.

c. Recipient organizations shall submit quarterly SF-425 reports by established due dates. When a recipient fails to submit required financial management reports on a timely basis, DHHS/PMS suspends drawdowns until reporting requirements are met. The letter of credit is temporarily suspended when one quarterly report is late.

d. On a quarterly basis, DHHS, Division of Payment Management (DPM) provides NSSC Finance Office the Disbursement Return Status Reports, which provide the status of recipients who have and have not submitted the SF-425 reports. The NSSC Finance Office shall provide the NSSC Procurement Office a list of recipients who have

submitted SF-425 reports late or not at all. The NSSC Procurement Office will review the list to determine if any termination action should be taken against recipients who constantly file their SF-425 reports late or are unwilling to file required reports.

e. Recipient organizations shall establish procedures that will minimize the time elapsing between drawdown and related disbursements. When a recipient organization receiving letter of credit payments from the DHHS/PMS has demonstrated an unwillingness or inability to establish required procedures, the letter of credit may be suspended until procedures are established.

3.2.4 A decision to terminate the letter of credit shall be predicated upon a recipient organization's consistent demonstration of an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements. Under normal circumstances, the recipient organization should have been suspended two times before the letter of credit termination proceedings are initiated. If the severity of the violation warrants, the NSSC/Center Finance Office may begin letter of credit payment termination proceedings immediately by notifying the Grant Officer promptly. Upon termination of the letter of credit, the recipient organization is required to finance its operations with its own working capital and will be reimbursed by NASA. The NSSC/Center Finance Office or Procurement Office will promptly notify the recipient in writing of the determination, the reasons for termination, and the effective date.

3.2.5 A letter of credit arrangement shall also be terminated for either of the following reasons:

a. The business relationship between NASA and the recipient organization is completed or terminated (except when follow-on awards are expected to be authorized).

b. The cognizant NSSC/Center Finance Office determines progress is not satisfactory toward achievement of the cash management objective of the letter of credit method of financing.

3.2.6 Initiation of Suspension/Termination Action.

a. DHHS/PMS will suspend letter of credit drawdowns when a recipient organization has not met the quarterly financial management reporting requirements. The NSSC/Center Finance Office may initiate suspension or termination of letters of credit in cases involving other financial management issues and will notify the Grant Officer promptly of such actions. When the letter of credit includes contracts with educational institutions or non-profit organizations, the NSSC/Center Finance Office shall consult with all cognizant Contracting Officers before implementing a suspension or termination of a letter of credit applicable to contracts.

b. The Grant Office initiates suspension or termination of letters of credit to grantees and recipients of cooperative agreements in all other cases -- for instance, when the recipient organization has failed to comply with the non-financial terms and conditions of the grant. In such cases, the Grant Officer shall notify the NSSC/Center Finance Office and the recipient organization of the determination to suspend or terminate the financing arrangement. The NSSC/Center Finance Office shall take prompt action accordingly.

c. The Contracting Officer initiates suspension or termination of letters of credit to contractors. In such cases, the Contracting Officer shall notify the NSSC/Center Finance Office and the contractor of the Contracting Officer determinations to suspend or terminate the financing arrangement. The NSSC/Center Finance Office shall take prompt action accordingly.

3.2.7 A review shall be made of the grant, cooperative agreement, or contract and the statute under which the grant, cooperative agreement, or contract was negotiated to ensure that termination of a letter of credit is permitted. When the reimbursement method is not feasible, arrangements may be made whereby the operations of the recipient organizations are financed on a working capital advance basis. Under this basis, funds are advanced to the recipient organization to cover its estimated disbursement needs for a given initial period (not to exceed 30 calendar days). Thereafter, payments will be made to the recipient for the amount of its actual cash disbursements. The amount of the initial advance should be computed to ensure that after the initial period, the payments are approximately equal to the average amount of the recipient organization's unreimbursed program payments.

3.2.8 Notification. Suspension, termination, and reinstatement of a letter of credit may be initiated by the NSSC/Center Finance Office or by the responsible Grant Officer or Contracting Officer, depending on the nature of the issue at hand. When the Grant Officer or Contracting Officer is the initiator, they shall notify the NSSC/Center Finance Office in writing, using the notification requirements outlined in (a) through (c) below, and the NSSC/Center Finance Office will take prompt action accordingly. When the NSSC/Center Finance Office is the initiator, they will notify the Grant Officer or Contracting Officer in writing, also using the notification requirements outlined in (a) through (c) below. When the letter of credit includes contracts with educational institutions or non-profit organizations, the NSSC/Center Finance Office will consult with all cognizant Contracting Officers before implementing a suspension or termination of the letter of credit applicable to contracts. The notification requirements are as follows:

a. The initiator of suspension (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for suspension) shall provide prompt notice, in writing, to the recipient organization of the

determination to temporarily withhold further payments pending corrective action by the recipient or pending a decision to terminate the letter of credit. In DHHS/PMS payment management process, a recipient's payments are automatically withheld when one quarterly financial report is not submitted on time by the recipient. The DHHS/PMS will notify the recipient via e-mail that the report is delinquent.

b. The initiator of termination (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for termination) shall promptly notify the recipient and the cognizant Grant or Contracting Officer, in writing, of the determination, the reasons for termination, and the effective date.

c. The initiator of reinstatement (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for the initial suspension or termination) shall promptly notify the recipient, in writing, of the determination that a previously suspended or terminated letter of credit arrangement is to be reinstated, including the reasons for the reinstatement and the effective date.

d. The NSSC/Center Finance Office shall notify DHHS/PMS in writing of any determination to suspend, terminate, or reinstate a recipient's letter or credit.

### **3.3 Roles and Responsibilities**

3.3.1 The Agency CFO/ Deputy CFO (Finance) shall maintain policy on NASA and DHHS/PMS suspension and termination requirements.

3.3.2 The NASA Contracting/Grant Officer shall:

a. Request the NSSC Finance Office to either suspend or terminate a recipient's letter of credit under circumstances where a recipient has otherwise failed to comply with the project objectives, the terms and conditions of the award, or NASA reporting requirements. The Contracting/Grant Officer may also withhold awarding new grants or modifying existing grants when recipients fail to timely comply with reporting requirements.

b. Notify the Technical Officer of suspension/termination of a recipient's letter of credit.

c. Request the NSSC Finance Office to resume letter of credit payments and release any previously withheld drawdown when the recipient has taken corrective action that makes suspension or withholding no longer necessary. To release payment amounts that have previously been withheld, the Contracting/Grant Officer must send a memorandum to the Financial Management Office.

d. Exercise authority to suspend/terminate or impose additional requirements when recipient has a history of poor performance, is not financially stable, has a management system that does not meet the standards prescribed in 14 C.F.R. Pt. 1260, has not conformed to the terms and conditions of a previous award, or is not otherwise responsible.

3.3.3 Recipient organizations shall comply with NASA and DHHS/PMS requirements when receiving letters of credit for grants and cooperative agreements.

3.3.4 NSSC or Center CFOs, if applicable, shall:

a. Monitor recipients' drawdown practices by using the inquiry capability of the PMS for letter of credit recipients and the quarterly SF-425 submittal by recipient organizations.

b. Take action to suspend drawdowns or terminate letters of credit to the recipients, when required.

c. Provide the cognizant Procurement Office a quarterly list of all recipients who have not submitted the quarterly financial reports by the required due date and whose payments have been withheld by DHHS/PMS.

d. Coordinate suspension/termination action with the cognizant Procurement Office.

e. Decide that the recipient demonstrates consistent unwillingness or inability to comply with financial requirements.

f. Judge whether the recipients meet requirements for suspension or termination.

g. Notify recipients that suspension and termination may be initiated for non-compliance with financial management requirements.

| [TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [AppendixA](#) | [AppendixB](#) | [ALL](#) |

| [NODIS Library](#) | [Financial Management\(9000s\)](#) | [Search](#) |

**DISTRIBUTION:**  
**NODIS**

---

**This Document Is Uncontrolled When Printed.**

Check the NASA Online Directives Information System (NODIS) Library  
to Verify that this is the correct version before use: <http://nodis3.gsfc.nasa.gov>

---